GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:167
ANSWERED ON:16.11.2007
FAIR PRACTICE CODE IN RECOVERY OF LOANS
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Will the Minister of FINANCE be pleased to state:

(a) whether some banks are flouting RBI`s `Fair Practice Code for Lenders` guidelines;

(b) if so, whether the Government is planning to set up any institutional mechanism to ensure that the Fair Practice Code is followed by banks without any default;

(c) whether Indian Banks` Association has formulated Model Code for collection of dues and repossession of security; and

(d) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Reserve Bank of India (RBI) vide their circular dated May 05, 2003 issued guidelines on Fair Practices Code for Lenders. Banks/All India Financial Institutions were advised to adopt the broad guidelines contained in the Circular and frame the Fair Practices Code duly approved by their Board of Directors. All the banks except a few foreign banks (not having significant retail lending business) have since confirmed having framed the Fair Practices Code. Further, RBI has revised the Fair Practices Code vide their Circular dated March 6, 2007 and most of the public sector banks and private sector banks have also confirmed having modified their Fair Practices Code. Further, the Banking Codes and Standard Board of India (BCSBI) has been set up to plan, evolve, prepare, develop, promote and publish voluntary comprehensive codes and standards for banks for providing fair treatment to their customers. The Code of Banks` Commitments to Customers formulated by BCSBI provides, inter-alia, that the collection policy of the bank be built on courtesy, fair treatment and persuasion and the bank follows a security repossession policy in consonance with the law.

(c) & (d): The Indian Banks` Association has formulated a `Model Code for collection of dues and repossession of Security` which has been recommended to banks in January, 2007 for adoption and implementation. The Model Code, inter-alia, provides that banks commit to maintaining the dignity and respect of customers in their Debt Collection Policy and not follow policies that are unduly coercive in collection of dues.